

Child Care

2007 Legislative Report

from the Vermont
Child Care
Advisory Board



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Vermont's Child Care Advisory Board

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January 15, 2007

William P. Russell, Chief Counsel
Legislative Council
115 State Street, Drawer 33
Montpelier, VT 05633

Dear Mr. Russell,

Enclosed is the 2007 Legislative Report from the Child Care Advisory Board. This Governor-appointed board is charged with advising and assisting the Department for Children and Families (DCF) and the Child Development Division within DCF. As required by statute, our duties also include submission of an annual report to the Legislature on the status of and need for improvement to Vermont's child care system.

Our 2007 report can be summarized succinctly: Vermont is failing to ensure that families have access to affordable, quality child care services.

During this legislative session, we will continue to collaborate with the Departments of Education, Health, Economic Development, and DCF to improve service delivery for lower income families. Our stalwart commitment is to provide exemplary programs that are affordable to all families with young children.

At a time when Vermont is exploring every opportunity to encourage more young families to remain here or move to our state, the Child Care Advisory Board believes that making certain our children can be in a safe learning place so their parents can work, must become a top priority for this legislative session. Thank you for your attention to this report.

Sincerely,

Maureen Danielczyk, Co-Chair
Child Care Advisory Board
Executive Director,
Trinity Children's Center

Jackie Sprague, Co-Chair
Child Care Advisory Board
President, Vermont Association for
the Education of Young Children

CC: Governor James Douglas; Cynthia LaWare, Secretary, AHS; Steve Dale, Commissioner, DCF; Kim Keiser, Deputy Commissioner, DCF; Child Care Advisory Board Members.

The Child Care Affordability Crisis

An Unaffordable Necessity

The options are limited for parents trying to mix two full-time jobs with raising two children. Paying for two children in full-time child care has become more than a stretch for most families, it's beyond reach. Desperate thoughts swirl in parents' heads:

I can't afford to work! Maybe one of us should quit work? Maybe we should become tag team parents who take turns taking care of the kids while one of us works day shift and one works the night shift? Maybe my neighbor could watch the kids for a few hours every day after school? Or even: Our nine-year old Susie is an exceptionally responsible child—maybe she can watch her little brother after school every day until we get home.

To hear Vermont parents tell their stories, visit www.VermontCCAB.org

From day shifts to night shifts, working overtime and at home, moms and dads are struggling to juggle jobs and parenting and checkbooks.

Basic Need

For the past five years, Vermont has developed and published its Basic Needs Budgets. For a Vermont family of four with two working parents and two preschool age children (one age 3 and one age 4½), with a median household income of \$62,331, the cost of child care equals \$13,000[†] and represents 21% of the family household budget. That's more than double the cost of the health care over 60,000 Vermonters feel they cannot afford. When child care, transportation, mortgage, food and health care are added together, nearly two-thirds (65.4%) of the household budget for this Vermont family of four is committed—before the utilities or taxes are paid.

Increasingly Desperate Need

What is a stretch for a family at the Vermont median household income becomes a desperate need for families in the lower half of income groups. A single parent who is working full-time and who has two children in full-time child care is likely to be eligible for the Vermont Child Care Reimbursement/Subsidy Program. Yet despite the program's objective of ensuring that lower income families have equal access to child care and pay no more than 10% of their income for the required co-pay, there are clear indications these goals are not being met.

For a single parent earning \$13,500 a year in the hospitality industry, with two preschool age children (one age 3 and one age 4½), the cost of child care is \$13,000, which before reimbursement could represent 96% of the household budget. Child care costs after being reduced by the maximum child care reimbursement/subsidy payment still leaves a co-pay of \$3,984 or 29.5% of this single parent's budget.

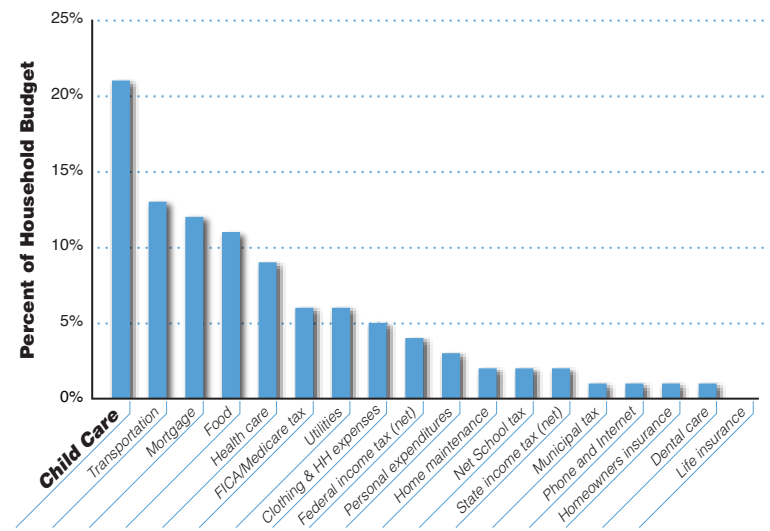
For such a single parent of two children earning \$15,080 a year by working full time and earning the Vermont minimum wage—which puts them above the state's eligibility scale based on the 1999 federal poverty guidelines—the child care reimbursement/subsidy is reduced on a sliding scale which has the effect of increasing their co-pay even higher.

Families determined to be ineligible for the subsidy program, or who feel their subsidy level is inadequate, may file a variance or fair hearing request. Between September 2005 and September 2006, Vermont experienced a 77% increase in the number of variances requested. Variance requests and other indicators of the desperate need for child care are expected to continue escalating due in part to the recent increase in the work hours requirements for federal Temporary Assistance for Needy Families (TANF).

Costs for child care should not exceed what families can afford. Even when quality child care is available, most families face the question of whether they can afford it. Child care expenses have become an unaffordable necessity for families in a wide range of income levels.

Relative Impact of Household Budget Categories

Based on \$62,331 median gross income for 4-person household, \$176,000 home



Sources: Vermont Basic Needs Budgets, 2005; Vermont Household Budget Affordability Analysis.

[†] Child Development Division, statewide weekly market rate for 2 preschoolers enrolled full-time at a registered home provider at 75th percentile, as of November, 2006.

Vermont's Failure to Meet Families' Needs

Using Outdated Guidelines for State Child Care Subsidy Denies Families Access

Too many struggling families are not eligible for a child care subsidy because Vermont continues to use the outdated 1999 federal poverty guidelines. For example, in 1999 a two-parent family with two children and an annual income no greater than \$37,380 was eligible for a child care subsidy. In 1999, \$37,380 was approximately 225% of the federal poverty level. In 2006, a similar family at 225% of the updated federal poverty level has an income of \$45,000. Today such a family would be not be eligible for a child care subsidy because its income exceeds \$37,380. Today, this same family, earning \$37,500 or 187% of the 2006 federal poverty guideline is not eligible for any child care subsidy reimbursement, but is eligible financially for both Dr. Dynasaur and the Women, Infants and Children program. Each year Vermont does not update its child care subsidy eligibility criteria means more families are denied access to the program designed to serve them.

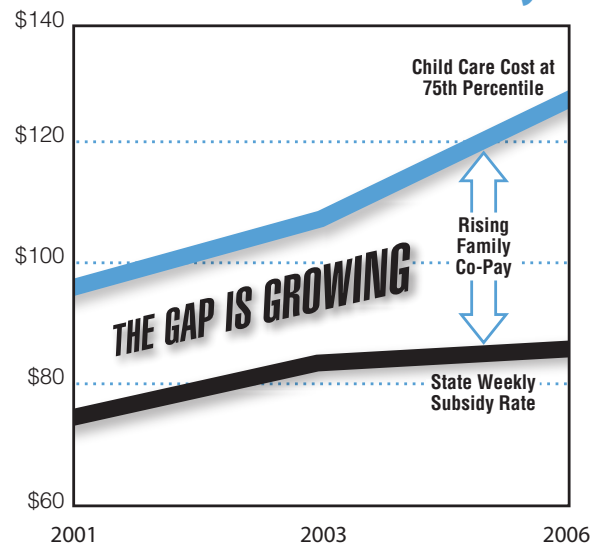
The Gap is Growing Between the State Subsidy Rates and Child Care Market Rates

For the children of working parents to be in a safe learning place, lower income families and child care providers must make up the difference—or gap—between the state subsidy reimbursement rate and the market rate. Parents are financially responsible for this difference, generally termed a co-pay. The State of Vermont is losing ground. In many areas, the state subsidy child care reimbursement rates for specific types of child care are lower than the rates charged by more than half of providers in that region, that is, below the 50th percentile. The federal standard is a state subsidy reimbursement rate set at the 75th percentile.

The 75th percentile is the standard established by the federal government to assure subsidized families have access to the child care market. It means families receiving a full subsidy have financial access to at least 75% of the care in their community.

The greater the gap between the 75th percentile and the subsidy rate, the less access families have to child care.

Child Care Affordability



■ 75th Percentile Market Rate
■ State Weekly Subsidy Rate

Source: Child Development Division, Department for Children and Families, Agency of Human Services. Rates for registered home, preschooler.

A Legal and Moral Obligation

- The state of Vermont has a legal and moral obligation to ensure our children can be in a safe learning place so their parents can work.
- The state of Vermont is failing in its legal and moral responsibility to families in need.
- The state's failure hurts children, families, child care providers, our communities, and our economy.
- The state's lack of commitment to resolving this failure is unacceptable.

Child Care Stories

“I think that everyone, not just people who are wealthy enough to afford a really good child care or people who are low income enough to get subsidized child care, but everyone, every one of our children deserves the opportunity at least to the choice to be with other children and to have opportunities that their parents can't provide them.”

— Denise Foote
Mother of five from Burlington



“I was not able to quit my job and I did a 37-mile loop in the morning and in the evening to get quality care for my child.”

— Amy English
Parent from Newport

“I decided to quit work which involved traveling 30 miles to Chittenden County because I could not find high-quality child care for my infant.”

— Lisa Presson
Parent from Panton



“As a taxpayer I am glad to support and to make this public investment in [child care for] my children and the children that will grow up to be our future leaders in Vermont.”

— Danielle Thompson
Parent from Wolcott

Vermont Child Care Affordability: What We Need to Do

Advisory Board Recommendations

If Vermont is to meet the changing needs of its families and communities, child care needs to be viewed as an integral piece of Vermont's economic infrastructure with the same level of fiscal commitment as transportation, housing and education.

This is what needs to be done:

Action	Accountability
1 Close the Gap for the Most Vulnerable	
<i>Immediately bring into compliance the Vermont child care subsidy eligibility criteria from 1999 to the current federal poverty guidelines.</i>	By not adjusting its guidelines, Vermont is out of compliance with federal requirements for the Child Care and Development block grants.
<i>Annually adjust the Vermont child care eligibility criteria to the current federal poverty guidelines.</i>	Too many struggling families are deemed ineligible for a child care subsidy because Vermont continues to use outdated federal poverty guidelines. Making an automatic annual adjustment to the child care eligibility criteria to match current federal poverty guidelines is in alignment with other Vermont programs, and will provide a measure of reason and predictability for working families.
<i>Adjust the child care reimbursement rate to the 75th percentile of Vermont's market rates to comply with the federal standard.</i>	By setting and sustaining Vermont's eligibility criteria and child care reimbursement rates to current federal guidelines, CDD will support both families and providers in their struggle to survive and move towards self-sufficiency.
2 Reduce Child Care Costs for All Vermont Families	
<i>Adjust the child care reimbursement rate to the 75th percentile of Vermont's market rates.</i>	In an attempt to help the neediest families, many child care providers accept the state's below market rate subsidy payments. To make ends meet, this creates a cost shift where private pay families are paying more than their share. The State's adjustment to reimburse child care payments at the 75th percentile will moderate this cost shift for all families.
<i>Modify VHAP and Catamount Health as necessary so every regulated child care provider and their employees are immediately eligible.</i>	Health care is the second largest expense item for child care providers, following only salaries. Reducing this major cost driver for the child care industry will help to moderate the escalating cost of child care for Vermont families.
<i>Enable the establishment of a mechanism such as a captive insurance entity to provide access to affordable business insurances, e.g., liability and property, for Vermont child care providers.</i>	Access to affordable business insurance will reduce a cost driver for the child care industry.

Vermont is exploring every opportunity to encourage more young families to remain here or move to our state. Affordability, accountability, and action are essential to achieve this widely-accepted goal. The Child Care Advisory Board believes that making certain our children can be in a safe learning place so their parents can work must become a top priority for this legislative session.